

**1998 Philip Morris Companies**  
**Magazines Discount Discussion**

**January 28, 1998**

2070234919



## Agenda

To discuss volume status for select print deals based on current paging without Marlboro Insert

- Summary of all print deals
- Time Inc.
- Hachette
- Conde Nast
- Primedia
- Wenner
- Newsweek
- TV Guide
- Supplements
- Next steps for February 18 meeting
  - Confirm Kraft volume
  - Confirm Tobacco volume
  - Confirm Miller volume
  - Select publications for Marlboro 1998 insert

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**1998 Philip Morris Companies Magazine Deal Summary**

**DOES NOT INCLUDE MARLBORO INSERT**  
**Assumes same Miller paging as 1997**

<b>Company</b>	<b>1998 Projection</b>	<b>Goal for Discounts</b>	<b>Difference</b>
<b><u>Dollar Deals (\$MM)</u></b>			
Hachette	\$26.7	\$0 - \$32.19MM	-
Newsweek	\$3.1	\$3.1 - \$3.59MM	\$0.0
Petersen	\$7.0	\$6.5MM	+\$0.5
Playboy	\$5.9	\$6.55MM	-\$0.65
Primedia	\$6.1	\$6.9MM	-\$0.8
Time Inc.	\$65.8	\$60 - \$63MM	+\$2.8
Times Mirror	\$5.9	\$5.5MM	+\$0.4
USA Weekend	\$1.5	\$2.5MM	-\$1.0
<b><u>Page Deals</u></b>			
American Express	8 - <u>F&amp;W</u>	10 - <u>F&amp;W</u>	-2 - <u>F&amp;W</u>
American Media	35.5 - <u>NE</u> 27.5 - <u>Star</u>	30 - <u>NE</u> 30 - <u>Star</u>	+5.5 - <u>NE</u> -2.5 - <u>Star</u>
Bauer	20 Tobacco - <u>FFW</u> 8 Tobacco - <u>WW</u>	17 Tobacco - <u>FFW</u> 11 Tobacco - <u>WW</u>	-3 +3
Cable Guide	2	8	-6
Conde Nast (Total)	298	252	+46
General Media	27 - <u>Penthouse</u> 19 - <u>Four Wheeler</u>	42 - <u>Penthouse</u> 0-36 - <u>Four Wheeler</u>	-15 -
Parade	6.2 NEPs	16 NEPs	-10
TV Guide	100	100	-
US News	5.9 Tobacco	8 Tobacco	-2
Wenner	66.3 Company - <u>RS</u> 49 Company - <u>US</u>	61 Company - <u>RS</u> 36 Company - <u>US</u>	+5.3 +13

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**TIME INC.**

1998 OPEN RATE SPENDING FORECAST (\$MM)					
	PM	KF	MBC	TOTAL	Current Contract
JAN. '98 estimate	\$36.7	\$23.1**	\$6.0*	\$65.8	\$60 - \$63MM
Final '97	\$41.6	\$19.6	\$6.0	\$67.2	\$66 - \$69MM
Diff. '98 vs '97	-\$4.9	+\$3.5	\$0.0	-\$1.4	

\* 1997 Miller volume

\*\* 42% prototypical

Anticipate meeting/exceeding current contract goal of \$60 - \$63MM

Kraft projecting an increase in 1998 paging versus 1997 in 6 publications

	1998	1997	Page Increase vs. '97	% Increase vs. '97
Entertainment Weekly	13.5	3.4	+10.1	297%
In Style	19.0	16.0	+3.0	19%
Life	11.0	8.2	+2.8	34%
People	114.5	111.2	+3.3	3%
Sports Illustrated	6.5	2.5	+4.0	160%
Time	7.0	4.4	+2.6	59%

Based upon original 1998 forecast, adjusted kicker levels in 5 publications

	Original Kicker	Adjusted Kicker	1998 Projected Volume			
			KF	MBC	PMUSA	Total
Entertainment Weekly	67 Cos. pages	51 Cos. pages	13.5	0	45.7	59.2
Fortune	None	None	-	-	-	-
In Style	36 Cos. pages	36 Cos. pages	19.0	0	24.1	43.1
Life	50 Cos. pages	36 Cos. pages	11.0	0	28.5	39.5
Money	None	None	-	-	-	-
People (\$MM)	\$18MM - Cos.	\$18MM - Cos.	\$17.3	0	\$10.6	\$27.9
Sports Illustrated (\$MM)	\$17MM - Cos.	\$16MM - Cos.	\$1.3	\$6.0*	\$10.5	\$17.8
Time (\$MM)	\$7MM - Cos.	\$6MM - Cos.	\$1.4	0	\$5.0	\$6.4

\* 1997 volume

Further adjusted rates in Entertainment Weekly and People due to 1998 rate base increase

- Entertainment Weekly rate base projected to increase to 1,325M, announced at 1,350M
- People increase from 3,150M to 3,250M

Anticipate meeting/exceeding all adjusted kicker levels in 1998

**Next Steps**

Awaiting 1998 paging from Miller (anticipated end of January)

- 1997 spending of \$6.3MM (Sports Illustrated)

Awaiting selection of magazines for Marlboro 1998 insert

- Proposals requested from Entertainment Weekly, People, In Style and Sports Illustrated

Will re-evaluate kickers and franchise goals as volume becomes more complete

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**HACHETTE**

1998 OPEN RATE SPENDING FORECAST (\$MM)					
	PM	KF	MBC	TOTAL	Current Contract
JAN. '98 estimate	\$13.1	\$13.6*	\$0.0	\$26.7	\$0 - \$32.19MM
Final '97	\$12.8	\$16.1	\$0.0	\$28.9	\$0 - \$30.39MM
Diff. '98 vs '97	\$0.3	-\$2.5	\$0.0	-\$2.2	

\* 35% prototypical

Accepted 1998 proposal with lower up-front pricing

- If Custom Publishing expenditures reach \$8MM in 1998, PM will receive \$0.2MM in space credits to be used in 1999 in any Hachette publication except Woman's Day
- Anticipating 1998 Custom Publishing of \$8.8MM (4 issues, 470M circulation per issue)

Current contract goal set at \$0 - \$32.19MM

Kraft down 15% vs 1997 (\$13.6MM projected for '98 versus \$16.1MM for '97)

Approximately \$5.4MM Open from next discount level

Currently meeting spending goals

**Next Steps**Do all Jello insert units in Woman's Day earn open dollar contribution toward 1998 contract?

Awaiting selection of magazines for Marlboro 1998 insert (5 publications received requests for proposal)

- Cycle World, Stereo Review, Premiere, Elle and George

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**CONDE NAST**

1998 PAGE FORECAST					
	PM	KF	MBC	TOTAL	Current Contract
JAN. '98 estimate	229.7	58.6**	10.0*	298.3	252 Total
Final '97	227.9	44.3	10.0	282.2	275 Total
Diff. '98 vs '97	+1.8	+14.3	0.0	+16.1	

\* 1997 Miller volume

\*\* 35% prototypical

Kraft volume projected to be up 32% versus 1997

Exceeding current goal of 252 pages

**Next Steps**

Awaiting selection of magazines for Marlboro 1998 insert – additional discount for multi issues

- Allure, Details, GQ, Glamour, Mademoiselle, Vanity Fair and Vogue

Given 1998 volume, recommend moving to higher discount level (270 pages) to generate savings to help other deals

- Anticipate savings of \$103M ( \$80M – PM, \$3M – MB, \$20M – KF) at 270 page level
- At 288 page level, additional savings of \$103M ( \$80M – PM, \$3M – MB, \$20M – KF)

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**PRIMEDIA**

1998 OPEN RATE SPENDING FORECAST (\$MM)					
	PM	KF	MBC	TOTAL	Current Contract
JAN. '98 estimate	\$5.2	\$0.9**	\$0.0	\$6.1	\$6.9MM
Final '97	\$6.1	\$2.5	\$0.0	\$8.6	\$8.6MM*
Diff. '98 vs '97	-\$0.9	-\$1.6	\$0.0	-\$2.5	

\* 1997 contract included New Woman and Stagebill, they were removed from the deal in 1998

\*\* 41% prototypical

Negotiated 1998 Primedia contract to include Chicago, Modern Bride and Popular Hot Rodding volume

Given sale of Stagebill and New Woman, negotiated matching contract volume at \$6.9MM

Currently \$0.8MM open below contract goal

- Kraft volume in Soap Opera Digest down 40% versus 1998 (19 pages projected for '98 versus 31 in '97)
- Corporate Arts not scheduled in New York Magazine for 1998 ( 9 pages ran in '97)

**Next Steps**

No Primedia publications were asked to submit a proposal for Marlboro 1998 insert

Need to monitor volume as Kraft prototypical pages become approved

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**WENNER**

1998 PAGING FORECAST					
	PM	KF*	MBC	TOTAL	Current Contract
<b>Rolling Stone</b>					
JAN. '98 estimate	46.8	6.5	13.0**	66.3	61 Cos. Pages
Final '97	61.4	0.0	13.0	74.4	61 Cos. Pages
Diff. '98 vs '97	-14.6	+6.5	0.0	-8.1	
<b>US</b>					
JAN. '98 estimate	36.3	13.0	0.0	49.3	42 Cos. Pages
Final '97	43.3	23.0	0.0	66.3	42 Cos. Pages
Diff. '98 vs '97	-7.0	-10.0	0.0	-17.0	

\* 56% prototypical

\*\* 1997 Miller volume

Kraft projected paging up in Rolling Stone (+6.5 pages), down in US (-13.0 pages)

Meeting goals in both US and Rolling Stone for discounts

PMUSA currently 10 pages below goal of 56 pages in Rolling Stone to retain covers

**Next Steps**

Rolling Stone submitted proposal for 1998 Marlboro insert

Will evaluate volume as Kraft prototypical pages become approved

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**NEWSWEEK**

1998 OPEN RATE SPENDING FORECAST (\$MM)					
	PM	KF	MBC	TOTAL	Current Contract
JAN. '98 estimate	\$1.9	\$1.2*	\$0.0	\$3.1	\$3.1MM
Final '97	\$2.5	\$1.6	\$0.0	\$4.1	\$4.1MM
Diff. '98 vs '97	-\$0.6	-\$0.4	\$0.0	-\$1.0	

\* 38% prototypical

Kraft 1998 volume down 25% versus year ago

PMUSA down 24% versus year ago

Meeting current contract goal of \$3.1MM

**Next Steps**

Will continue to monitor volume as Kraft prototypical pages become approved

**TV GUIDE**

1998 PAGING FORECAST					
	PM	KF	MBC	TOTAL	Current Contract
JAN. '98 estimate	40.0	60.0*	0.0	100.0	100 Cos. pages
Final '97	38.0	77.4	0.0	115.4	115 Cos. pages
Diff. '98 vs '97	+2.0	-17.4	0.0	-15.4	

\* 33% prototypical

Kraft projected volume down 22% versus 1997

Meeting current contract goal of 100 pages

**Next Steps**

Need to monitor volume since discounts and franchises will change a lot if paging drops below 100 pages – next discount level is 95 pages.

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**SUPPLEMENTS**

1998 FORECAST					
	PM	KF*	MBC	TOTAL	Current Contract
<b>Parade (pages)</b>					
JAN. '98 estimate	1.7	4.5	0.0	6.2	16 NEPs
Final '97	2.9	16.8	0.0	19.7	2 Insertions
Diff. '98 vs '97	-1.2	-12.3	0.0	-13.5	
<b>USA Weekend (\$MM)</b>					
JAN. '98 estimate	\$0.3	\$1.2	\$0.0	\$1.5	\$2.5MM
Final '97	\$1.4	\$2.6	\$0.0	\$4.0	\$2.5MM+
Diff. '98 vs '97	-\$1.1	-\$1.4	\$0.0	-\$2.5	

\* 0% prototypical for Parade and USA Weekend

Currently 10 pages below goal in Parade and \$1.0MM below goal in USA Weekend

Kraft 1998 volume down in category versus 1997 (67% decrease in Parade, 54% in USA Weekend)

Given current brand strategies, do not anticipate significant increases in 1998 volume from PMUSA

**Next Steps**

Will need to adjust discount levels in February if volume is not in line with current goals

- Parade from 16 NEPs to 2 NEPs (Current deal will pass along no CPM increase for 16 NEPs, a 3% CPM increase if volume drops below 16 NEPs)
  - Estimate short rate of \$45M (\$33M – KF, \$12M – PM)
- USA Weekend from \$2.5MM level to \$1.5MM level
  - Estimate short rate of \$13M (\$10M – KF, \$3M – PM)

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